



News Release

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Contact: Anne Marie Frawley (202) 205-6948

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SBA Strongly Urges Lenders to Provide Deferment Relief to Borrowers in Disaster-Stricken Areas

Agency to Grant 12-month Deferments in Stricken Areas On Loans It Holds

WASHINGTON – The U.S. Small Business Administration today urged 7(a) participating lenders, 504 program Certified Development Companies and microlenders to provide deferment relief for borrowers with SBA-backed business loans in the primary disaster areas affected by Hurricane Katrina and contiguous parishes/counties. The declared disaster areas may be found at www.sba.gov/disaster, and then go to the hyperlink titled “Hurricane Katrina SBA Disaster Notices and Fact Sheets.”

SBA Administrator Hector V. Barreto made the appeal as he announced that the agency will provide relief to certain borrowers with SBA-serviced loans, including SBA microlenders, with existing SBA loans in those areas.

“Small businesses are the backbone of our economy and will play a fundamental role in the recovery of the Gulf Coast region,” said Administrator Hector V. Barreto. “We at the SBA are committed to providing them with the help they need to get back on their feet, and a deferment can go a long way toward that goal. We strongly encourage our lending partners to follow suit and try and accommodate borrowers adversely affected by the events of Hurricane Katrina.”

Effective immediately, the SBA is providing an automatic 12-month deferment of principal and interest payments for SBA-serviced business and disaster loans that were in regular servicing status on August 29, 2005, in those primary counties/parishes designated as federal disaster areas. Interest will continue to accrue on the loans involved.

Borrowers are being notified of the automatic deferment on their monthly payment notices. After this automatic 12-month deferment period, SBA will review borrower circumstances on a case-by-case basis to determine the nature and extent of further relief that may be appropriate.

Borrowers located in counties contiguous to the primary counties/parishes in the disaster areas who have suffered an adverse impact because of the disaster may also be eligible for 12 months of principal and interest deferments on SBA-serviced business and disaster loans, but these deferments will not be automatic in those areas. Instead, these borrowers can ask the SBA for a deferment, and the agency will evaluate those requests on a case-by-case basis. SBA loan servicing personnel in those areas will respond to requests from borrowers experiencing difficulty in making their loan payments and process requested deferments of these payments.

SBA staff in district offices and servicing centers will advise lenders of the need to accommodate borrowers adversely affected by Hurricane Katrina.

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